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ABSTRACT

Public schools in the United States will face significant infrastructure needs within the next few years. Some of the numerous issues surrounding these needs, as they affect Nevada's schools, are detailed in this report. Current practices in Nevada have followed those of other quickly growing school systems in which funds are being diverted from routine maintenance and capital improvement so as to support programs. Some remedies to this practice, such as general obligation bonds or "pay-as-you-go" funding, are explored. For the benefit of comparison, capital construction in other states and varying levels of participation are presented. Some possible alternatives for state assistance in Nevada are covered, such as structural alternatives and financing alternatives, including state general obligation bonds, state revenue bonds, and state appropriations. Options currently under consideration in other states are likewise discussed. It is argued that the recent spate of equity lawsuits involving facilities construction in other states should guide any participation by Nevada in school construction; mechanisms to define state involvement should promote equity in capital expenditures. Four appendixes, which compose one-half of the paper, offer profiles of Nevada school demographics, the state's role in financing, needs assessment, and historical practices in state assistance. (RJM)

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SCHOOL CONSTRUCTION

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SCHOOL CONSTRUCTION

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SCHOOL CONSTRUCTION

INTRODUCTION

Public schools in the United States are facing significant infrastructure needs within the next few years. Public school enrollment is projected to reach 50 million students in the year 2004 — 20 percent higher than current levels. Meanwhile a series of documents from the United States General Accounting Office (GAO) report that a significant percentage of school infrastructure needs to be renovated, replaced, or expanded to handle the anticipated increases.

In the face of overcrowding, many school districts in high-growth areas have focused their spending upon education programs rather than building maintenance and capital construction. Many districts have deferred maintenance projects; as a result, sometimes a series of minor repairs turn into a need for major renovation. While such strategies may help with operational costs in the short term, the impact in the long term is usually negative, especially if it adds to the price tag of capital construction bond initiatives. Many school districts throughout the country are finding it more and more difficult to gain voter support for such projects.

I. SCHOOL CONSTRUCTION IN NEVADA

Recently voters in several Nevada school districts defeated school bond issues. Although Clark County voters approved that district's bond in 1996, other districts (including Carson City, Elko, and Washoe Counties) were not as fortunate. Although a majority of Nevada's school bond proposals are directed toward building new schools, funds for major repair and renovations of existing facilities often are included.

A. Background

In its document "School Facilities: Profiles of School Condition by State," issued in 1996, the GAO reported the results of a survey of facility needs within the 50 states. The Nevada section states:

- 23 percent of all Nevada schools reported at least one inadequate building;
- 42 percent related at least one inadequate building feature (such as roof, walls, floors, lighting, life-safety code problems, and so on); and
- 57 percent reported at least one unsatisfactory environmental feature (such as lighting, heating, ventilation, and so on).

The complete Nevada profile from the GAO report may be found in Appendix A of this background paper.

According to a recent report in the *American School Board Journal*, Nevada's school bond issues totaled $432.3 million in principal for six issues during Fiscal Year (FY) 1995-1996. This amount placed Nevada twentieth in the rankings of the 48 states with bond issues during that period.

B. Current Practices in Nevada

In Nevada, funding for school buildings and facilities is the responsibility of local school districts (*Nevada Revised Statutes* [NRS] 387.328 and 387.335, *et seq.)*. Historically, Nevada has had a minor presence in school construction. Since 1861, only two distinct programs have existed that provided state assistance to schools for construction. One program was enacted in 1955, following a major study of the policy and financial structure of Nevada's public school system (the Peabody Report); the other program began in 1979, replacing the earlier program. Both programs addressed special financial or growth-related circumstances. All other legislation has been confined to specific appropriation bills that were introduced to address a particular need. For a complete history of these activities, see Appendix B ("State Assistance for School Construction – Historical Practices") of this report.

Under current practices, state aid is not available for constructing new buildings or repairing existing ones. Rather, school districts pay for construction costs using three basic mechanisms: general obligation bonds; "pay-as-you-go" funding; and (for some districts) fees on residential construction.

General Obligation Bonds

The most prevalent form of financing the construction, remodeling, or repair of school facilities or the acquisition of sites for facilities is by the issuance, with voter approval, of General Obligation (GO) Bonds of the school district (NRS 387.335). By statute, total bonded indebtedness of a county school district must not exceed 15 percent of the total assessed valuation of the property within the county school district. For example, Clark County's total assessed valuation in 1995-1996 was $18.910 billion; therefore, the limit on bonded indebtedness of the Clark County School District would be $2.836 billion. Similar data for other school districts, and for the state as a whole may be found in Appendix C, titled "Assessed Valuation Per Pupil and Available Bonding Capacity 1995-96."

School districts are a significant user of a county's general obligation bonds. School bonds in Nevada account for nearly 68 percent of all local government general obligation bonds,

totaling $1.277 billion in FY 1995-1996, statewide. In eight counties, school bonds represent 90 to 100 percent of all local government bonds issued. In the two most populous counties (Clark and Washoe), those figures are 63 and 70 percent, respectively. The following table lists these amounts, as of June 30, 1996:

LOCAL GOVERNMENT INDEBTEDNESS – GENERAL OBLIGATION BONDS OF SCHOOL DISTRICTS AND OTHER LOCAL GOVERNMENT ENTITIES IN NEVADA, JUNE 30, 1996

COUNTY	COUNTY BOND AMOUNT	SCHOOLS AMOUNT	CITIES/ OTHER AMOUNT	TOTAL	PERCENT OF G.O. BONDS FOR SCHOOLS
Carson City	$4,870,000	$44,095,000	$0	$48,965,000	90.05%
Churchill	0	29,435,000	0	29,435,000	100.00%
Clark	217,180,000	827,140,900	263,429,262	1,307,750,162	63.25%
Douglas	2,715,000	34,365,659	2,520,000	39,600,659	86.78%
Elko	2,455,000	643,414	2,580,000	5,678,414	11.33%
Esmeralda	0	0	19,816	19,816	0.00%
Eureka	0	0	0	0	0.00%
Humboldt	2,135,000	10,830,000	5,995,000	18,960,000	57.12%
Lander	1,850,000	2,081,000	0	3,931,000	52.94%
Lincoln	0	2,205,000	0	2,205,000	100.00%
Lyon	0	38,845,000	584,110	39,429,110	98.52%
Mineral	0	0	0	0	0.00%
Nye	0	28,920,000	90,900	29,010,900	99.69%
Pershing	70,000	9,420,000	0	9,490,000	99.26%
Storey	0	3,138,000	0	3,138,000	100.00%
Washoe	33,315,000	237,645,000	68,799,000	339,759,000	69.95%
White Pine	0	8,990,000	0	8,990,000	100.00%
Statewide	$264,590,000	$1,277,753,973	$344,018,088	$1,886,362,061	67.74%

Source: Legislative Counsel Bureau, Fiscal Analysis Division

"Pay-As-You-Go" Funding

One alternative to bonding is the so-called "pay-as-you-go" funding mechanism whereby a county, after receiving voter approval, may levy a tax to gradually accumulate sufficient revenue to enable the school district to construct, remodel, repair, or replace school facilities without issuing bonds. Under NRS 387.3285, the "pay-as-you-go" tax is limited to 75 cents per $100 of assessed valuation of taxable property in school districts with fewer than 25,000 pupils, and 50 cents per $100 of assessed valuation in districts with 25,000 pupils or more.

Money raised from the "pay-as-you-go" tax may be used to renovate or replace the capital assets of the school district, but before any of the funds are used to construct new buildings, a majority of the voters must approve the expenditure. Elko (at the maximum

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75 cents per $100 of assessed valuation), Humboldt (at 20 cents), and White Pine (45 cents) counties are currently levying "pay-as-you-go" taxes. Most counties do not utilize this method of financing construction unless they have difficulty passing bond issues.

Fees on Residential Construction

Chapter 387.331 of NRS provides another alternative for financing capital projects to small school districts in Nevada. In a county with a population less than 35,000, the school board may request that their board of county commissioners impose a tax on residential construction of up to $1,000 for each house, apartment, or mobile home lot. The school board must designate the areas of the county to be served by the school buildings to be erected or enlarged, and the county commission will tax new units in the areas of the county to which the tax applies. The Douglas County School District and the Storey County School District utilize impact fees as a source of revenue to finance school construction or remodeling.

II. CAPITAL CONSTRUCTION IN OTHER STATES — PARTICIPATION BY STATES VARIES

Few states provide substantial support for school construction for public elementary and secondary education. State spending for capital outlay projects represents a very small part of a state's K-12 budget, ranging from 0 percent in ten states (including Nevada), to 11.2 percent in California. Although local school districts are the primary payers for capital outlay and resulting debt service, most states have a profound influence upon facilities funding, characterized by the limits they place on local funding. Among the most common state-imposed limitations are:

- Debt limits that prohibit exceeding a designated percentage of taxable property valuation; and

- Requirements for voter approval to issue bonds.

A. Unequal School Facilities and Recent Court Cases

In the past, states have been party to numerous school finance equity cases, with litigants arguing that school finance formulas were inadequate to provide all students with equal access to education within the public school system. Until recently, those lawsuits focused upon funding formulas for school district operational costs. Three recent court cases highlighted inequality in school facilities.

Arizona. In July 1994, Arizona became the first state whose school funding system was declared unconstitutional based solely on the condition of school facilities. The state

Supreme Court noted that even though a portion of each district's state equalization aid is budgeted for capital improvements, low wealth, property-poor districts may find it insufficient. The court ruled that the state's failure to come up with a funding system to offset disparities in property wealth violated Arizona's constitutional provision to provide a "general and uniform" education to the state's children.

Ohio. At about the same time as Arizona's case, a lower court in Ohio overturned the state's school funding system in a decision that frequently mentioned disparities in school facilities as a source of inequity. One of the court's main findings was that "taxpayers in plaintiff school districts, because of having lower assessed valuation per pupil, must tax themselves at greater rates to produce the same level of revenue to fund school facilities than taxpayers in school districts having higher levels of assessed valuation per pupil."

Texas. The State of Texas in 1987 may have been instrumental in starting the trend to more closely scrutinize the equity of school facilities. In a series of court cases referred to as Edgewood I through Edgewood V, Texas courts declared inequities in school facilities to be as unacceptable as inequities in operating expenditures. The Texas court in its latest decision found the school finance system to be constitutional, but noted that certain unresolved facilities issues had the potential of rendering the entire school finance system unconstitutional in the near future.

B. Report by the General Accounting Office

In contrast to Nevada, many states participate in financing the capital construction costs of their school districts. A discussion of state participation may be found within a November 1995 report titled *School Facilities: States' Financial and Technical Support Varies*, issued by the United States General Accounting Office (GAO). As noted in the report, until the 1940s, the responsibility for capital construction of schools was traditionally held by local school districts. Currently, nearly all states have some role in school facility construction, renovation, and major maintenance. That role can be described under three categories:

- States that provide direct facility funding on an ongoing basis;
- Those that participate in technical assistance or compliance review activities; and
- States that collect and maintain information about the physical condition of school facilities.

Forty-eight states participate in at least one of these three areas — Nevada and Louisiana were the only two states that reported no involvement within these categories. A table titled "State-by-State Information" from the GAO report is included as Appendix D. Thirteen states had comprehensive programs that included all three levels of involvement.

As a group, states reported spending $3.5 billion on school facilities construction during FY 1994, approximately 20 percent of all funds used for public school construction. State involvement in financing varies greatly. Some 40 states have some sort of ongoing financial assistance programs, with support levels ranging from $6 per student to $2,000 per student. The median amount of assistance was about $104 per student. Only Alaska and Hawaii assumed full or nearly full state support for school construction. For most of the remaining 38 states, state financial assistance takes the form of grants or loans at an amount under $300 per student. The report also notes that:

- Most states reported prioritizing funding toward districts with less ability to pay;
- Most states reported providing aid as grants rather than as loans (only 8 of the 40 states approved assistance in the form of loans);
- Most states reported providing facilities funding through state budget appropriations (29 of the 40 — others reported using state bonds); and
- Most states reported providing no assistance for preventive or routine maintenance through their construction funding program.

Some 44 states provided technical assistance or compliance review for facilities construction. Twenty-three states reported collecting and maintaining information about the condition of school facilities.

C. Alternatives Used by Other States

As noted in the previous section, states typically provide assistance in the form of direct appropriations (or grants) and through loan programs. Grant programs take the form of matching grants, or flat grants. Some states also utilize building authorities or bond banks.

Specific examples of state participation include:

- **Idaho** — Enacted legislation in 1991 establishing a school assessment committee due to the inability of some districts to get two-thirds of the voters to approve school bond issues. In addition, half of the proceeds of the state lottery are earmarked for school construction.
- **West Virginia** — Established a school building authority in 1988 to address public school building needs. The authority is authorized to issue revenue bonds which are repaid through annual appropriations by the Legislature. The bond proceeds are used to make statewide grants, net enrollment grants, and needs grants (for capital projects).

To ensure that state funds are spent appropriately, each county is required to develop a ten-year educational facilities plan.

- **New Jersey** — The Legislature reviewed a proposal in 1994 to provide financing to construct and renovate public schools. Financing would be utilized from an economic recovery fund, capital improvement appropriations, and revenue bonds. Funds would be available through low-interest loans; loans at market rate for projects costing less than $5 million; low- interest loans to projects designed to comply with state health and safety requirements; and grants to special needs districts. The 1994 New Jersey Legislature approved $70 million for this program.

D. Use of Impact Fees in Other States

Impact fees have become an increasingly popular tool in the United States. Thirty-six states use them, and 20 states have statewide legislation authorizing local governments to impose impact fees — parks, recreation, sewer, and water are the most common facilities they finance. However, school-related impact fees are rare — a 1989 survey by the Government Finance Officers Association reported only 20 of 329 impact fees reported by local government went to schools. Most policy and legal analysts agree that impact fees are intended to be regulatory, not revenue-generating mechanisms. Their purpose is not to raise money, but to protect the public by requiring that necessary public facilities are provided as a condition for new development. Both California and Washington have had recent experience using such fees.

California

According to information from the California Department of Education's School Faculties Planning Division:

- California law allows school districts themselves to impose a developer fee on residential construction — local school boards levy the fee;
- The maximum fee allowed is determined by the State Allocation Board (the current maximum is 1.84 per square foot);
- The fee is assessed only on the "habitable" space in a private dwelling;
- Statutes limit the use of revenue from this source to the construction and reconstruction of school facilities; and
- School districts can use developer fees to build new facilities, add to existing schools, and to lease or purchase portable buildings.

Washington

The State of Washington's Growth Management Act of 1990 authorizes cities and counties to impose fees upon property developers to mitigate the impact of new developments on public infrastructure. The same act specifically authorizes the collection of impact fees on behalf of schools on the premise that new developments should pay a proportionate amount of the capital costs created by the increased enrollment generated by that growth. This source of funds serves to supplement traditional school construction funding sources. By 1995, at least 17 cities and counties in Washington collected school impact fees for at least 39 school districts.

III. POSSIBLE ALTERNATIVES FOR STATE ASSISTANCE IN NEVADA

The Senate Concurrent Resolution No. 30 interim study consultant, Management Analysis and Planning Associates (MAP), calculated an average annual capital construction need of $275 million per year for Nevada public schools. If the State of Nevada becomes involved in financing schools construction, various policy decisions would need to be addressed concerning the structure of that involvement and the financing mechanisms needed to fund the program.

A. Structural Alternatives

A number of policy alternatives are possible should the Nevada Legislature wish to consider contributing to school construction financing. The two basic approaches are:

- **Full State Assumption** — Under this option, the State of Nevada would assume all costs for construction and maintenance of school facilities under a specified funding arrangement. The State Board of Education or another entity would review all projects submitted for state funding and rank them in priority order based upon level of need and local taxing capacity. The State Public Works Board and the Board of Education would then review and approve each proposed project in accordance with criteria established by statute or regulation, and subject to available state funding in accordance with deadlines established by the State Board of Education.

- **State-Local Partnership** — Under this option, the state would provide for a portion of the funds needed for construction based upon a wealth adjusted formula and a priority ranking of projects. The formula would provide the basis for equalization of assessed value within school districts for the purposes of funding the construction of public schools, ranking school districts in order of assessed value per pupil. Using arbitrary percentages for this example, those districts falling within the fourth quartile of such a ranking would be eligible to receive up to 50 percent state funds for the project. Those ranked in the third quartile would receive up to 25 percent; those in the

second would receive up to 15 percent; those in the first quartile would not be eligible for any state financing. The State Board of Education or another entity could review all projects submitted for state funding and rank them in priority order based upon level of need and local taxing capacity. The State Public Works Board and the Board of Education could review and approve each proposed project in accordance with criteria established by statute or regulation, and subject to available state funding in accordance with deadlines established by the State Board of Education. The project could then be submitted to the voters within the school district for consideration.

Locating funds for either of these alternatives is a major concern.

B. Financing Alternatives

According to the Management Analysis and Planning Associates report, financing for the state portion under either scenario could be made through a variety of mechanisms, including establishment of a state school construction financing credit enhancement agency; an increase in state sales tax, a statewide property tax, an increase in state gaming tax (or a combination of these sources); issuing state general obligation bonds, subject to current limitations; or through a state General Fund appropriation to a School Construction Fund.

Under current law, there are four possible options for Nevada participation in capital construction costs for school districts; one of these options may not be viable due to certain court actions:

State General Obligation Bonds

Nevada's ability to issue general obligation debt is limited by the *Nevada Constitution* (Article 9, § 3), to 2 percent of the state's assessed valuation. The estimated state bond capacity remaining on December 1, 1995, was 172.9 million. By comparison, the Clark County School District's 1988 bond issue totaled $600 million, its 1994 bond request (most of which passed), was $905 million, and its successful 1996 request was for $647 million. Washoe County School District's 1992 bond issue totaled $156 million and the proposal that failed to pass in 1996 was for $196 million.

With these amounts in mind, the state's debt limit would probably need to be raised should Nevada wish to use general obligation bonds for school construction. The limit was increased in 1989 from 1 to 2 percent. An additional increase would be a lengthy process, taking two successive votes by the Legislature and a vote of the people. It is likely, however, that any such increase in the state's bond capacity would have an adverse effect upon the state's bond rating with Moody's and other financial rating services.

State Revenue Bonds

Nevada's ability to earmark new or existing tax sources and utilize the proceeds to issue "revenue bonds" or other bonds which fall outside the state debt ceiling is very limited. Due to rulings by the Nevada Supreme Court, debt can be issued as revenue bonds only if the revenue generated directly from the capital project is used to completely retire the bond issue. Since school construction does not generate any revenue, such bonds would probably not be available as an alternative.

State Appropriations

As noted previously, some states use direct appropriations to assist in financing school construction. Should this alternative be considered, a mechanism would need to be developed for the equitable disbursement of funds. In addition, it is unlikely that state appropriations could meet the expected demand for construction costs — the entire General Fund Appropriation for the 1996-1997 Fiscal Year totaled $1.32 billion in state funds, while the combined amount requested by just Clark and Washoe Counties in their 1996 bond elections totaled $843 million.

Dedicate New or Existing Revenue

A new or existing revenue source could be dedicated to assist in the cost of school construction on a "pay-as-you-go" basis (estimated by MAP at $275 million per year). As noted in the previous alternative, a mechanism to determine how to equitably distribute these funds would need to be developed. Funds could be disbursed annually to the school districts, perhaps on an enrollment basis, or accumulated and granted on the basis of requests from individual school districts.

Potential sources of funds identified by the MAP consultant group included:

- Increase the **state sales tax** (1.25 cents), impose a **statewide property tax** of $.87, an increase in **gaming taxes** of 4 percent, or a combination of these sources; or

- **Issue state general obligation bonds** up to present limit (2 percent of state's assessed valuation). [Estimated need $275 million per year.]

Other possible financing mechanisms under discussion include the following:

- **Using windfall local school sales taxes** – Typically in the Nevada Plan (for operating expenses), the state's contribution to a specific per pupil guarantee is reduced by the amount of local school revenue from the local school support tax and the 25-cent portion of the property tax that exceeds the projected amount; however, it should be

noted that under the plan if revenues are less than projected, the state increases its share to make up the loss, up to the guaranteed level.

- **Return state .15 property tax to local government for school construction needs** — The state would then need to cut some existing services or tap additional revenue sources if it wished to make up this loss.

- **Dedicate a fixed portion of existing state school sales tax to capital construction needs** — However, under the Nevada Plan, the state would then need to increase its contribution to replace this lost revenue.

- **Implement a dedicated property tax rate** with certain business and community oversight controls.

- **Expand impact fees** or other growth-based or development-based sources.

- **"Cooperative leveraging"** of new revenues with private developers.

- **Expand the sales tax base** — However, it should be noted that previous attempts to expand sales taxes to services (for example) have proven to be unpopular.

C. Options Under Consideration in Other States

Several states are reviewing alternative approaches to financing school construction. Recent proposals include:

- Provide school boards with the ability to levy an optional 1 percent **addition to the sales tax**, countywide — school boards would specify the project and the cost and voters would approve the tax; under the proposal, the tax would last only five years or until the specified amount was raised.

- Orange County, Florida, officials are proposing the same **growth management restrictions** currently in place for roads, water, and sewers. The county would be allowed to halt new construction when schools become crowded.

- In 1994, a Florida Department of Education facilities study committee recommended expansion of the base for the **gross receipts tax** to include water, sewer, and cable television with phased-in rate increases; establishing a **local option real estate transfer (documentary stamp) fee** limited to capital outlay; expansion of **fee on residential construction**; authorizing a **local option sales tax** for education facilities; establishing a **required level of maintenance effort** for existing facilities; and creation of an **endowment plan** to generate an annual legislative appropriation from interest earnings.

- Use of **"stock" or standard architectural plans** for the construction of new schools — a significant amount of new school construction cost may be attributed to such plans. However, in a 1991 survey, only three states (Maine, New York, and Virginia) reported using stock plans. There have been reports in the past that such an approach may not provide for any savings, due primarily to site-specific needs at the building location and local planning requirements.

- The *NCSL Fiscal Letter* has suggested that policymakers consider **requiring that a fixed percentage of school operational funding be used for routine maintenance**. Although most state funding formulas take these costs into consideration when calculating need, few state funding formulas mandate the allocation of these funds to a particular cost (such as facility maintenance). Policymakers may want to require that a portion — for example, 5 percent of general state aid to school districts — be used for routine maintenance.

CONCLUSION

As a number of other states have found, state-level involvement in school construction has the potential of adding this factor to the question of educational equity. The recent equity lawsuits involving facilities construction have all occurred in states that had some level of state involvement in capitol financing. Should Nevada wish to participate in school construction, the mechanism to define that involvement should attempt to promote equity for capital expenditures, just as the Nevada Plan does for operational expenditures. In addition, careful consideration would need to be given to any financing alternatives designed to increase revenues at the local level to ensure that new disparities in district wealth are not created and that any existing disparities are not enhanced.

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APPENDIX A

STATE PROFILE: NEVADA

Appendix XXXII

State Profile: Nevada

Figure XXXII.1: General Context and State Role

General Context

Number of schools	403
Total enrollment on or about Oct. 1, 1993	236,000
State revenue for K-12 education, 1993-94	
Total	$445,787,000
Per student	$1,891
State funding for K-12 school facilities, 1993-94	
Total	No assistance provided
Per student	
Number of SEA facilities-related staff (FTEs)	0.25
Other state agencies involved in school facilities: Public Works Board, Bureau of Health Protection, State Fire Marshal	

Percent of schools reporting at least one on-site building in inadequate condition	
Original building	21
Attached or detached permanent addition	5
Temporary building	10
Percent of schools reporting a need to upgrade or repair on-site buildings to good overall condition	83
Reported range of amounts needed to upgrade or repair a school to good overall condition	$500 to $16,000,000

State's Role in Facilities

Financial Assistance	In 1995, the Nevada Legislature made a one-time appropriation of $500,000 to cover extraordinary need in two school districts. Other than this appropriation, the state does not currently provide funding assistance for facilities.
Technical Assistance	State officials reported they do not provide technical assistance or perform compliance reviews related to facilities.
Facilities Information	The Department of Education maintains an inventory of schools, including information on number and square footage of buildings, and it also maintains information on class size. The inventory is updated about every 2 years to provide information for the legislature during the budget process. No information on facilities condition is collected.

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Figure XXXII.2: Extent of Reported Facilities Needs

Perc[illegible]f Schools With Inadequate Facilities

	Percent of schools
Schools with at least one inadequate building of any type (original, addition, or temporary)	23
Schools with at least one inadequate building feature	42
Schools with at least one unsatisfactory environmental factor	57
Schools with (1) at least one inadequate building, and (2) one inadequate building feature	22

Building Features

Building feature	Percent of schools with inadequate features
Roofs	18
Framing, floors, foundations	24
Exterior walls, windows, etc.	27
Interior finishes	19
Plumbing	16
Heating, ventilation, air conditioning	30
Electrical power	18
Electrical lighting	16
Life-safety codes	15

Environment

Factor	Percent of schools with unsatisfactory factors
Lighting	16
Heating	21
Ventilation	23
Indoor air quality	20
Acoustics	8
Space flexibility	54
Energy efficiency	32
Physical security	14
Percent of schools with air conditioning in classrooms: 70	

Facilities Needs for Educational Reform

Activity	Percent of schools meeting need "not well at all"	Activity	Percent of schools meeting need "not well at all"
Small group instruction	0	Large group instruction	27
Library or media center	12	Laboratory science	72
Teacher planning	1	Private testing/ counseling areas	6
Parent support	14	Day care	90
Social and health services	21	Before and after-school care	29
Assessment material storage	14	Assessment material display	20

Technology

Element	Percent of schools reporting insufficient capability	Element	Percent of schools reporting insufficient capability
Computers	14	Television	4
Printers	16	VCR/laser disc	14
Networks	27	Cable TV	15
Modems	28	Conduits	44
Modem lines	26	Fiber optic cable	78
Instructional area phone lines	27	Wiring for communications	28
Power for communications	25		
Average number of students per computer: 21			

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Figure XXXII.3: Reported Federal Mandates Spending

Money Reported Needed and Spent on Federal Mandates in the Last 3 Years

Percent of schools

	Spending		Spending not needed	No money spent
	Below average spending(a)	Above average spending(a)		
Asbestos	65	7	14	14
Accessibility for the disabled	48	1	9	42
All mandates(b)	83	6	8	4

(a)For those schools reporting spending on federal mandates, national averages per school were asbestos, $43,000; accessibility for the disabled, $40,000; all federal mandates, $67,000. Median amounts per school were asbestos, $6,000; accessibility for the disabled, $6,000; all federal mandates, $12,000.

(b)"All" includes, in addition to the categories shown, underground storage tanks, radon, pesticides and other chemicals, and managing/correcting other environmental hazards (such as lead in water or paint).

Money Estimated Needed for Federal Mandates in the Next 3 Years

Percent of schools

	Spending needed		Spending not needed	Unknown
	Below average spending(a)	Above average spending(a)		
Asbestos	35	0	58	7
Accessibility for the disabled	66	6	19	8
All mandates(b)	79	2	9	10

(a)For those schools reporting anticipated spending on federal mandates, national averages per school were asbestos, $72,000; accessibility for the disabled, $124,000; all federal mandates, $177,000. Median amounts per school were asbestos, $10,000; accessibility for the disabled, $40,000; all federal mandates, $50,000.

(b)"All" includes, in addition to the categories shown, underground storage tanks, radon, pesticides and other chemicals, and managing/correcting other environmental hazards (such as lead in water or paint).

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APPENDIX B

STATE ASSISTANCE FOR SCHOOL CONSTRUCTION – HISTORICAL PRACTICES

APPENDIX B

State Assistance for School Construction – Historical Practices

Since 1861, only two distinct programs have existed that provided state assistance to schools for construction. One program was enacted in 1955, following the Peabody Report; the other began in 1979, replacing the earlier program. All other legislation has been confined to specific appropriation bills that were introduced to address a particular need.

Statewide Programs

Over the years, there have been precedents with regard to state involvement in school construction. A State School Construction Relief Fund was created in 1955. With the exception of a study in 1971, the issue appears to have been relatively quiet until 1979. A program was adopted by statute during the 1979 Session, replacing the earlier program and was later repealed. Two recent interim studies also have examined this issue.

Early Territorial and State Laws

From territorial days, the authority to build and maintain school buildings was vested in the school district. It was the " * * * duty of the trustees to call a special meeting of the district * * * to purchase or lease a site for the district school-house * * * to build, hire or purchase, and to keep in repair such school-house." (Chapter 72, *Laws of the Territory of Nevada, 1861*, page 277) This approach was continued with statehood. School boards were given the authority to ask district residents to vote for a tax levy for school facility construction in Chapter 145, *Statutes of Nevada 1864-1865* (page 422). In one form or another, this authority continued within the statutory codifications until the present.

1955 Session

In 1954, the Peabody Report (a comprehensive study of Nevada's public school system) identified a number of problems with school bonds for construction. The report noted that, if needed, capital outlay is to be financed locally without state aid; and school district administrative units needed to be reorganized to make sufficient taxing resources available within the unit. Most problems were addressed when school districts became coterminous with the county boundaries during the 1955 Session, and later, a Special Session of the Legislature in 1956 made technical corrections to the state's bond laws.

The 1955 Legislature also enacted **Assembly Bill 438** (Chapter 329, *Statutes of Nevada 1955*), which created a program to provide school districts with assistance in construction of facilities in areas where state employment had a significant impact upon the

school population. The law specified that the impact must meet or exceed 15 percent of the student population and that the district's bonded indebtedness exceed 60 percent of its bonding capacity. The measure also created the State School Construction Relief Fund and authorized the state to issue bonds to finance the program. This program remained within state statute until 1979.

Governor O'Callaghan's Study — 1971

In 1971, a study was conducted at the request of Governor Mike O'Callaghan to determine, "Whether or not the State of Nevada is receiving the best possible return on tax moneys allocated to education * * * ." The study committee conducted a survey of school facility needs; noted problems districts were having in building new facilities; and made a recommendation for state participation. The report states:

> At present some school districts are on the borderline of being able to provide new facility construction because of minimal financial ability.
>
> It is recommended that a formula be devised so that when: (1) a school district is utilizing the full $1.50 operation tax; (2) the county is at the $5.00 limit; (3) the half cent local school sales tax has been imposed; and (4) the local people vote to bond themselves for school construction, that a loan for construction be made from the State. A rational facility need formula should be devised. This loan should be paid back when any local or federal funds are available. This kind of aid to education could provided a greater equality of education for young people across the state.

Although the report was submitted to Governor O'Callaghan for action just prior to the 1973 Session, apparently no bills were drafted to incorporate this recommendation.

Account for State Assistance for School Construction 1979 - 1983

The 1979 Legislature enacted **Senate Bill 511** (Chapter 564, *Statutes of Nevada 1979*), which created a mechanism for state assistance for school construction, and appropriated $1 million to the Account for State Assistance for School Construction within the State General Fund. The measure also repealed the Aid for Construction of School Facilities program that had existed since 1955. The measure restricted eligibility for the funds to school districts having the following conditions:

1. The presence of condemned school buildings or buildings about to be condemned;

2. High construction costs due to the remote nature of the area in which they are to be built; and

3. The imposition of further debt would seriously impair the functions of other taxing entities within the county because the combined tax rate is at or near the limit.

Applications for use of the state money were to be made to the State Board of Education and were to specify the reasons for construction; an agreement to submit reports to the Board; a statement agreeing to site inspections; and certain information certifying eligibility as described earlier. The application for funds was to be reviewed by the State Board of Education, the State Public Works Board, and the Legislature's Interim Finance Committee (IFC). The IFC was granted the authority to allocate money from the account to an approved project for up to 40 percent of the construction cost of the proposed facility. The money from this initial appropriation was used during the following two years to complete facilities in Alamo and the Washoe County School District. The bill was incorporated into the *Nevada Revised Statutes* (NRS) within Section 387.334.

In 1981, the Legislature (through **Assembly Bill 555** [Chapter 544, *Statutes of Nevada 1981*]), amended the previous legislation to create a loan program, allowing funds to be used for school furnishings, as well as for construction. The bill added another $1 million to the Account for State Assistance for School Construction to operate the loan fund. None of the money in the loan program was utilized. The 1983 Legislature repealed NRS 387.334 and reverted the money to the General Fund, thereby eliminating the program (**Assembly Bill 146** [Chapter 526, *Statutes of Nevada 1983*]). The explanation given within the minutes from the Assembly Committee on Ways and Means and Senate Committee on Finance indicated that the statute had been enacted to address emergency situations within certain school districts and that those situations had been subsequently resolved.

Interim Study Recommendations

Since 1983, a few efforts have been made to create a statutory program for state involvement with school instruction. Most recently, two interim studies have considered this matter— the Legislative Commission's Subcommittee to Study Public Elementary and Secondary Education (S.C.R. 52), which operated during the 1993-1994 interim; and the Legislative Commission's Subcommittee to Study the Realignment of School Districts (S.C.R. 30), from the 1995-1996 interim period.

S.C.R. 52

The S.C.R. 52 subcommittee directed staff to meet with a group of financial experts from Nevada's school districts to review a series of recommendations proposed by the members. One of the topics discussed by the S.C.R. 52 Subcommittee (1993-1994) concerned state participation in school construction. As is currently the case, the district financial experts expressed conflicting opinions, with many seeing state involvement as a threat to local control. Others looked at this involvement as one avenue to address the expanding student

population. The subcommittee voted to support earmarking for capital construction a one-time "windfall" of the Local School Support Tax which occurred due to changes in government accounting standards. The windfall occurred when the Governmental Accounting Standards Board (GASB) issued a regulation creating a situation in which 13 months of sales tax were reported in Fiscal Year (FY) 1994-1995 instead of 12 months.

The report from the subcommittee declined to make any specific recommendations due to the fiscal implications to the Nevada Plan. However, the members acknowledged the possible need for additional sources of funding for capital construction. Realizing that the Senate Committee on Finance and Assembly Committee on Ways and Means would be better able to evaluate this proposal in the context of available resources and the existing financing structure, the subcommittee voted to include a statement in the subcommittee report urging that the Legislature examine the proposal to require that a fixed percentage of any one-time windfalls in the local school support tax revenues be provided to school districts for capital construction needs. Further, the recommendation required that a letter to this effect be transmitted to the Chairmen of the 1995 Legislature's standing money committees and the standing education policy committees. The 1995 Legislature did not choose to use the GASB funds in this manner.

S.C.R. 30

The S.C.R. 30 Subcommittee (1995-1996) also considered the state's role in school construction. Most of the discussion concerning this issue has been incorporated into Chapter 3 (pages 35 through 46) of the final report to the subcommittee by the MAP Associates of Berkeley, California. The alternatives presented by MAP included options for full state financing and various partnership arrangements. Specific recommendations from the subcommittee work session included:

Full State Assumption — Requiring that the State of Nevada assume all costs for construction and maintenance of school facilities on a pay-as-you-go basis. The State Board of Education, or another entity, would review all projects submitted for state funding and rank them in priority order based upon level of need and local taxing capacity. The State Public Works Board and the Board of Education would review and approve each proposed project in accordance with criteria established by statute or regulation, and subject to available state funding in accordance with deadlines established by the State Board of Education. Financing would be through either:

- An increase in the state sales tax (1¼ cents), a statewide property tax of 87 cents; an increase in gaming taxes of 4 percent, or a combination of these sources; or

- Issuance of state general obligation bonds up to present limit (2 percent of state's assessed valuation).

State-Local Partnership — Establishing, within statute, a formula to provide for greater equalization of assessed value within school districts for the purposes of funding the construction of public schools. Further, provide for a state/local partnership utilizing an equalization formula and method of prioritizing proposed projects based upon level of need. In such a system, school districts would be ranked in order of assessed value per pupil. Projects submitted for state funding would be ranked in priority order by the State Board of Education based upon level of need and local taxing capacity. The State Public Works Board and the Board of Education would review and approve each proposal and the project would then be submitted to the voters within the school district for consideration. Financing for the state portion could be made through establishment of a state school construction financing credit enhancement agency; an increase in state sales tax; a statewide property tax; an increase in state gaming tax (or a combination of these sources); issuing state general obligation bonds; or through a State General Fund appropriation to a School Construction Fund.

Interim Study — Provide for the creation of an interim legislative study committee charged with creating a statewide formula providing for state participation in the financing of school construction. Such a study would determine the level of state participation; any needed oversight agency; the equalization formula; and the basic criteria needed to make a project eligible for state contributions. The results of this study and any recommendations would be submitted to the 1999 Session of the Legislature.

The latter option — the interim study approach — was selected by the members of the S.C.R. 30 Subcommittee and was to be forwarded to the 1997 Legislature for consideration.

State Appropriations to Special Projects

Since 1983 (repeal of the Account for State Assistance for School Construction), the Legislature has considered a number of measures to make appropriations to specific school districts to address school construction needs. The most recent of these involves the Schurz Elementary School.

Schurz

As you may know, the Legislature has been struggling with a problem involving a Mineral County School District elementary school located at Schurz. The school is operated by the school district, but is sited at the Walker River Paiute Tribe's reservation at Schurz. The main school building was built by the Federal Government in 1934 and relinquished to the Mineral County School District in 1954 by the tribe and the

United States Bureau of Indian Affairs. The newest building is a two-classroom unit built in 1972. The building that houses the gymnasium/auditorium, kitchen, four classrooms, and restrooms was closed to students in August 1993 when structural engineers determined the unreinforced brick building was unsafe. When the main school building was condemned, the district superintendent told the principal the elementary school students would have to be bused to Hawthorne or Yerington. The principal refused and reconfigured the available space to keep the school open.

The Mineral County School District has been working for several years to address this matter. The school district had previously tried to obtain the needed funding through a 1988 school bond election (the measure was defeated), and through a public vote regarding reallocation of certain tax revenues. The 1993 Legislature rejected a bill providing for a direct appropriation to the Mineral County School District, and instead adopted **Assembly Bill 779** (Chapter 602, *Statutes of Nevada 1993*, pages 2506-2508). The measure authorized the county commissioners of Mineral County to place before the voters a proposal to impose a sales tax of .5 percent, a supplemental motor vehicle privilege tax of up to 1 cent per $1 of assessed valuation, and an increased property tax. The proceeds of these taxes would have been used to pay for bonds issued to build a new Schurz Elementary School and any other facilities proposed by the Mineral County School Board of Trustees. The question did go before the Mineral County voters, but was defeated. Since then, the tribe has attempted to find other ways to have the facility built.

By late 1995, the district had allocated $50,000 for this project from their **Assembly Bill 24** (Chapter 563, *Statutes of Nevada 1995*) appropriation (one-shot money to the school districts); however, the money must be expended prior to July 1, 1997, or it will revert to the State General Fund. In addition, the Nevada Legislature enacted **Senate Bill 444**, (Chapter 663, *Statutes of Nevada 1995*) which appropriated $250,000 to the Mineral County School District for a portion of the costs of construction of a school to replace the Schurz school. This appropriation is contingent upon the district obtaining money from any public or private source in an amount that, when combined with this appropriation, is sufficient to fund construction of the school. At one point, the tribe itself had set aside funding estimated at about $700,000 for this project.

This situation has apparently been resolved. Another school bond issue which included the Schurz school, was approved by Mineral County voters at the September 3, 1996, primary election. Coincidentally, United States Senator Harry Reid negotiated an award from the Bureau of Indian Affairs to provide the remaining balance ($436,997) needed to build the new school, although it appears the county's impact aid will be affected. The grant will be combined with local funds, the tribe's commitment to the project, and the legislative appropriation previously noted.

Alamo

In addition, the 1995 Legislature enacted **Senate Bill 274** (Chapter 677, *Statutes of Nevada 1995*). The measure appropriates $250,000 to the Lincoln County School District for increased costs of construction of the elementary school located in Alamo and for books and materials for the 1995-1996 school year.

Other Proposed Measures

Since 1983, there have been other bills introduced (but not passed) that would have appropriated state money for school construction, including:

In 1995, **Assembly Bill 572** was introduced which would have appropriated funds to repay a portion of White Pine County School District's debt;

In 1993, **Assembly Bill 453** provided for a direct appropriation to the Mineral County School District for the construction of the Schurz Elementary School; and

In 1987, **Assembly Bill 165** would have required mandatory kindergarten in every county. Among the provisions was an appropriation of $4.6 million to Nevada school districts for obtaining and constructing kindergarten classrooms.

APPENDIX C

ASSESSED VALUATION PER PUPIL AND AVAILABLE BONDING CAPACITY 1995-96

Assessed Valuation per Pupil and Available Bonding Capacity
1995-96

School District	Full Enrollment	Assessed Valuation	Assessed Valuation per Pupil	Maximum 15% Debt Limit	6-30-95 Total Debt	Remaining 15% Debt Capacity	Combined Tax Rate	Tax Capacity	Bond Capacity Within $3.64 Tax Cap
Eureka	308	$1,022,679,365	$3,320,388	$153,401,905	$0	$153,401,905	$1.7962	$1.8438	$216,278,694
Esmeralda	124	$45,948,318	$370,551	$6,892,248	$0	$6,892,248	$2.7947	$0.8453	$4,454,930
Storey	480	$87,611,363	$182,524	$13,141,704	$3,138,000	$10,003,704	$2.9265	$0.7135	$7,169,929
Douglas	7,090	$1,143,674,698	$161,308	$171,551,205	$34,365,659	$137,185,546	$2.9719	$0.6681	$87,640,414
Mineral	1,160	$175,707,161	$151,472	$26,356,074	$0	$26,356,074	$2.9255	$0.7145	$14,399,656
Pershing	967	$145,157,260	$150,111	$21,773,589	$9,420,000	$12,353,589	$3.6392	$0.0008	$13,320
Lander	1,639	$241,974,505	$147,635	$36,296,176	$2,081,000	$34,215,176	$3.2422	$0.3978	$11,040,655
Nye	4,528	$566,582,439	$125,129	$84,987,366	$28,920,000	$56,067,366	$3.6400	$0.0000	$0
Washoe	47,572	$5,863,539,334	$123,256	$879,530,900	$237,645,000	$641,885,900	$3.3955	$0.2445	$164,436,847
Humboldt	3,845	$469,391,205	$122,078	$70,408,681	$10,830,000	$59,578,681	$3.4093	$0.2307	$12,420,611
Clark	166,788	$18,909,830,761	$113,376	$2,836,474,614	$827,140,900	$2,009,333,714	$3.2329	$0.4071	$882,976,569
Carson	7,694	$738,281,457	$95,955	$110,742,219	$44,095,000	$66,647,219	$2.6563	$0.9837	$66,647,219
White Pine	1,980	$162,241,399	$81,940	$24,336,210	$8,990,000	$15,346,210	$3.6400	$0.0000	$0
Churchill	4,470	$354,383,712	$79,280	$53,157,557	$29,435,000	$23,722,557	$2.9243	$0.7157	$28,950,405
Lyon	5,426	$425,487,124	$78,416	$63,823,069	$38,845,000	$24,978,069	$3.1640	$0.4760	$23,230,246
Lincoln	1,109	$78,072,239	$70,399	$11,710,836	$2,205,000	$9,505,836	$3.3180	$0.3220	$2,883,453
Elko	9,861	$671,773,219	$68,124	$100,765,983	$643,414	$100,122,569	$3.0795	$0.5605	$43,187,567
Statewide Totals	285,041	$31,102,335,559	$117,349	$4,665,350,334	$1,277,753,973	$3,387,596,361			$1,565,728,515

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APPENDIX D

STATE-BY-STATE IN. ORMATION

State-by-State Information

States' Involvement Varied in Three Areas Reviewed by GAO

States' involvement in providing assistance for school facilities ranged widely (see table II.1). To illustrate, profiles of assistance provided in three states—Georgia, Maine, and Colorado—are presented following table II.1.

Table II.1: Overview of State Activities for School Facilities

State	Ongoing funding program	Technical assistance or compliance	Data on facility condition
Alabama	x	x	x
Alaska	x	x	x
Arizona	x		x
Arkansas	x	x	
California	x	x	
Colorado	x		
Connecticut	x	x	
Delaware	x	x	
Florida	x	x	x
Georgia	x	x	x
Hawaii	x	x	x
Idaho	x	x	x
Illinois		x	
Indiana	x	x	
Iowa		x	
Kansas	x	x	
Kentucky	x	x	x
Louisiana			
Maine	x	x	
Maryland	x	x	x
Massachusetts	x	x	x
Michigan	x	x	
Minnesota	x	x	x
Mississippi	x	x	
Missouri		x	
Montana	x	x	
Nebraska			x
Nevada			
New Hampshire	x	x	
New Jersey	x	x	
New Mexico	x	x	
New York	x	x	

GAO/HEHS-96-27 School Facilities: State Involvement

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State	Ongoing funding program	Technical assistance or compliance	Data on facility condition
North Carolina	x	x	x
North Dakota	x	x	x
Ohio	x	x	x
Oklahoma		x	x
Oregon		x	
Pennsylvania	x	x	x
Rhode Island	x	x	x
South Carolina	x	x	x
South Dakota		x	
Tennessee	x		
Texas		x	x
Utah	x	x	
Vermont	x	x	
Virginia	x	x	
Washington	x	x	x
West Virginia	x	x	x
Wisconsin	x	x	
Wyoming	x	x	x

Colorado—Involved in Funding

Colorado requires that each local education agency (LEA) set aside $202 per pupil of the state and local basic aid funding to be used for long-range capital needs such as new facilities, major renovations, land, school buses, or risk management purposes such as liability insurance or workers compensation. The funding cannot be used for debt service. The Colorado state education agency (SEA) has no staff assigned to facilities activities, and technical assistance is limited to answering a few questions during the year. Colorado does not routinely collect information on facilities; an official told us that measuring the condition of schools is considered a local issue.

Maine—Involved in Funding and Technical Assistance

The Maine School Construction Program provided LEAs with about $43.5 million in state fiscal year 1994 to pay debt service on capital construction bonds through the state's foundation funding. The amount received is based in part on the assessed valuation per student and on project priority criteria such as overcrowding. A staff of three in the Division of School Business Services spend part of their time overseeing

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the facilities funding program and providing information and assistance to LEAs throughout the funding and construction processes. The division works with LEAs on compliance with state education program guidelines and coordinates project review and approval among other agencies, such as the State Fire Marshal and the Bureau of General Services. The SEA does not currently gather information about the condition of buildings but hopes to conduct a survey of LEAs to gather descriptive information on their facilities.

Georgia—Involved Extensively in All Three Areas Reviewed by GAO

The Georgia Department of Education provides facilities assistance to LEAs through a system of annual entitlements based on district needs, including enrollment increases. LEAs may permit their entitlements to accrue over time, which allows each school system to undertake significant projects rather than make minor repairs year after year. LEAs must submit to the state a 5-year comprehensive facilities plan validated by an outside survey team and provide from 10 to 25 percent of the project costs. The SEA Facilities Services Section has field consultants who provide assistance to their assigned LEAs and an architect who reviews all architectural project plans for compliance with state requirements. Georgia provided about $151 million to LEAs for facilities in state fiscal year 1994.

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